

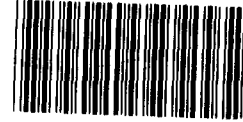


United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-243620

March 3, 1992



146119

The Honorable Bob Wise
Chairman, Government Information,
Justice and Agriculture Subcommittee
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

As you requested, we are providing more detailed information on certain issues raised in our November 1990 report on agricultural trade with Iraq.¹ Specifically, this letter addresses (1) what controls are in place on the export of agricultural chemicals that could be used for military purposes and (2) the Department of Agriculture's role in assuring compliance with these controls. This letter summarizes the briefing we provided to your staff on November 18, 1991. It also provides a synopsis of our other recent reports dealing with exports to Iraq.

RESULTS IN BRIEF

Our review indicated the following:

- The United States has established a process for controlling the export of certain chemicals (including those for agriculture) that can be used for both military and civilian purposes (dual-use).
- The Department of Agriculture does not share in the responsibility for assuring compliance with these controls, as its programs do not involve the export of chemicals.

¹International Trade: Iraq's Participation in U.S. Agricultural Export Programs (GAO/NSIAD-91-76, Nov. 14, 1990).

GAO/NSIAD-92-79R Agricultural Chemicals to Iraq

CONTROLS ON DUAL-USE CHEMICAL EXPORTS

The Australia Group was formed in 1984 by the United States and 19 other countries to discourage and impede the proliferation of chemical weapons. The group has identified 50 "precursor" chemicals (necessary in the production of toxic agents) that most need to be controlled. At present, all of the group's members have agreed to impose export controls on these 50 chemicals. Licenses are required to legally export toxic or dual-use chemicals from the United States. The current U.S. policy is to deny licenses for dual-use chemicals exported to countries that do not belong to the Australia Group.

However, controlling the worldwide trade in precursor chemicals is difficult to achieve because (1) many have legitimate commercial uses as well as weapons applications (for example, thiodiglycol, an essential ingredient for producing mustard gas, is also used in developing photographs and making both textiles and ballpoint pen ink); (2) many are widely available on the world market from countries that do not control their sale; and (3) many have been acquired or are being actively sought by a number of countries.² Some of these countries (including many in the Middle East) have not agreed to any international conventions against the production or use of chemical weapons.

RESPONSIBILITY FOR CONTROLLING CHEMICAL EXPORTS

The Departments of Commerce and State as well as the U.S. Customs Service have various responsibilities in overseeing the export of toxic and dual-use chemicals. The Department of Agriculture is not involved in administering these laws or regulations. Commerce licenses the export of precursor chemicals under provisions of the Export Administration Act of 1979, as amended. Although the act expired in September 1990, its provisions were continued in effect by presidential Executive Order. State licenses the export of chemical agents (such as mustard gas and its antidotes) under the

²U.S. intelligence estimates indicate that 14 countries--not including those in the North Atlantic Treaty Organization and in the former Warsaw Pact group--already have an existing offensive chemical weapons capability and that 10 other countries may be seeking this capability.

provisions of the Arms Export Control Act of 1976 and the International Traffic in Arms Regulations (U.S. Munitions List). State's policy is to deny requests for the export of toxic chemical agents to any country. Both Departments try to assure that exported chemicals will be used for legitimate purposes and often seek advice from the Department of Defense and the U.S. intelligence community in making licensing decisions. The U.S. Customs Service and the Department of Commerce share responsibility for enforcing the controls and restrictions on chemical exports.

OUR RECENT REPORTS ON EXPORTS TO IRAQ

Since November 1990, we have issued four reports dealing with exports to Iraq. Our November 1990 report provided information on Iraq's participation in several of Agriculture's export promotion programs from fiscal years 1983 through 1990. During that period, the United States financed about \$5 billion of agricultural commodity exports to Iraq. The report also described the foreign policy influence on the decisions to continue financing exports to Iraq despite growing evidence of program irregularities and rising external debts (about \$100 billion in 1990, with many having been rescheduled at least once).

Our April 1991 report described the export controls that apply to selected countries in the Middle East (including Iraq) and summarized the licensing policies and decisions concerning exports of dual-use commodities or technologies to these countries.³ Most of the controls stem from foreign policy concerns on the broad issues of human rights, anti-terrorism, regional stability, and chemical and biological warfare.

In September 1991 we reported on U.S. efforts to achieve an international convention banning the production, possession, and use of chemical weapons.⁴ In that report we also provided a history of the basic laws, controls,

³Export Controls: U.S. Controls on Trade With Selected Middle Eastern Countries (GAO/NSIAD-91-193FS, Apr. 12, 1991).

⁴Arms Control: U.S. and International Efforts to Ban Chemical Weapons (GAO/NSIAD-91-317, Sept. 30, 1991).

and restrictions on the export of chemicals and related commodities, technology, and equipment that could be used for military purposes.

In September 1991 we issued another report that addressed the 190 exports to Iraq that were financed through the U.S. Export-Import Bank from January 1987 through August 1990.⁵ We found eight of these exports in which herbicides or pesticides were exported to Iraq. However, the Export-Import Bank's review of these transactions concluded that none of the chemicals involved was on the list of 50 precursors.

In our current review of the 190 Export-Import Bank financed exports to Iraq during the same 4-year period, we found eight other exports that contained some form of agricultural chemicals, excluding herbicides and pesticides. These eight exports contained a variety of feed additives, animal vaccines, and laboratory supplies. Our review of the detailed information on the chemical composition of these exports indicated that none contained chemicals on the list of 50 precursors.

Please contact me on (202) 275-4812 if you or your staff have any questions about this report. The major contributors to this report were Philip J. Thomas, Assistant Director, and Roy B. Karadbil, Evaluator-in-Charge.

Sincerely yours,



Allan I. Mendelowitz, Director
International Trade, Energy and
Finance Issues

(483629)

⁵The U.S. Export-Import Bank: No Evidence of Financing Restricted Chemical Exports to Iraq (GAO/NSIAD-91-284, Sept. 30, 1991).